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**MEMORANDUM**

**Sino-Soviet Economic Rivalry**

1. Rivalry between the USSR and China among the emerging nations stems largely from the determination of each to gain power and influence there, necessarily at the expense of the other. Because of the diverse economic capabilities of China and Russia, in only a few cases does the competition force an underdeveloped country to choose between Moscow and Peking. Even then, as in the case of Cuba which over recent months has moved closer to Moscow's position, relations continue with both Communist partners.

2. Africa has been and is likely to continue as the principal object of planned efforts by China and Russia to outmatch one another. Natural expansion of its foreign economic program first brought the USSR to Africa. China has deliberately chosen that area, "now ripe for revolution." It is increasingly clear that Peking drives for influence with the more militant African leaders, while the Soviet program, based increasingly on economic factors, apparently is designed for and appeals to the more stable regimes which frequently are anti-Western, but not necessarily fanatically so. Some countries have economic relations with both but avoid extreme political positions identifying them with either.

3. There are also many examples of Sino-Soviet economic rivalry outside Africa, mostly arising from unexpected exploitable circumstances involving not only Chinese and Soviet influence but Western leverage as well. Pakistan's current disillusionment with the West has resulted in intensified Soviet and Chinese efforts there.

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The USSR will undoubtedly attempt to exploit the current turmoil in Indonesia to strengthen its position vis-a-vis China.

4. The nature of the Soviet and Chinese economic programs and their disparate capabilities make it unlikely that a head-on collision between the two will occur in the international economic arena. Peking is unable to provide the well-formulated, across-the-board economic program which the USSR can offer. China is limited to labor-intensive aid projects and cottage-type industries and only minimal trade. The USSR, aware that it will share responsibility for the health of the entire economy, provides a broader scope of aid and trade, usually directed toward a long-range goal

5. There has been some direct contest in the field of military aid, springing from very basic needs which can be met equally well by either China or Russia. Again, Peking supports the more radical African movements, while the USSR, where it wishes to encourage such groups, generally works more circumspectly through third parties. In those countries requiring supplies and training for a full-fledged military establishment, however, there is little direct competition, Russia being the only Communist country with adequate resources to meet such needs.

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